April 14, 2011

Dr. Robert Vartabedian, President
Missouri Western State University
4525 Downs Drive
St. Joseph, MO 64507

Dear President Vartabedian:

MDHE staff have completed an initial review of Missouri Western State University's request for a waiver of the penalty that otherwise would apply under the provisions of the Higher Education Student Funding Act (HESFA) because of the size of your tuition increase for the coming year.

In determining whether the waiver request is "sufficiently justified" as required by HESFA, the scope of our review will include detailed consideration of the responses to the criteria we published earlier. The university's waiver justification contains much useful information, particularly as it relates to the institution's tuition history during the past seven years and the percentage of its overall budget that is dependent on state appropriations.

However, in some instances the content provided consists of general statements and assertions that do not appear to be supported by specific details or cost information. For us to make a responsible, informed decision regarding your request, we need to ensure that the documentation is as complete as possible. In that context, we have prepared a series of clarifying questions for your staff to complete. The questions accompany this letter.

Once we receive this additional information, we will complete our evaluation and make a final decision with respect to the waiver request. As this process unfolds, I encourage you and members of your staff to contact Deputy Commissioner Paul Wagner, General Counsel Joe Cornelison or me with your questions or requests for clarification.

Regards,

David R. Russell, Ph.D.
Commissioner of Higher Education

Enclosure

cc: Joseph Cornelison, General Counsel for MDHE
        Mel Klinkner, Vice President for Financial Planning and Administration
        Kylee Strough, Chair of MWSU Board of Governors
        Paul Wagner, Deputy Commissioner for MDHE

1. On page 3, the waiver request addresses increases in mandatory costs in excess of the CPI change. The content, however, focuses on past years. Do you have any dollar amounts associated with specific areas in which you know of increases in the coming year?

2. Page 4 of the waiver request highlights a tuition loss of $400,000 per year from the elimination of six associate degree programs. The following questions relate to that loss:
    a. Weren't those programs eliminated effective July 1, 2010, as the result of a statutory requirement in order for Missouri Western to gain university status? If so, wasn't that loss taken into account in last year's budget? Is this an additional $400,000 loss related to the elimination of those programs?

    b. How much of this loss in tuition for students who would have enrolled in these programs has been offset by the general large influx of students that have led to the rapid enrollment growth or from students enrolled in graduate programs that Missouri Western has been, and is, able to offer as a result of it becoming a university?

3. Page 4 also refers to a loss of FY11 A+ funding in the amount of $869,000.
    a. While changes being implemented in the A+ reimbursement program will eventually eliminate payments to students enrolled in associate degree programs at MWSU, the current discussion is focused on a phased reduction rather than an immediate or abrupt termination. If the request for a phase-out is granted, what annual financial impact is projected on the institution over each of the next three years? What percent of A+ eligible students does this impact assume will continue to enroll at MWSU as participation is phased-out?

4. On page 8, the waiver request addresses cost increases in excess of the CPI change related to Missouri Western being an open admission institution with a mission in applied learning. However, these are very general statements that do not contain specifics as to how or why those costs have increased and by how much. Please provide supporting details.

5. On page 10, the waiver request addresses costs related to other initiatives designed to meet specific needs of the state that require growth in excess of the CPI increase. Again,

the discussion mentions a number of items but gives no specifics as to how or why those costs have increased and by how much. Please provide supporting details.

6. On page 11, Figure 2 depicts the FY10 Operating Expenses by function. Please provide a chart for FY01 or another past year as you did with the "operating budget-expenses" charts on page 12 to show how these proportions have changed.

7. At the bottom of page 11, there is a statement about the intentional growth in the scholarship budget from 8% in FY 2001 to 12% in FY11. How will this tuition increase affect that trend?

8. Page 13 mentions $13 million in deferred maintenance costs, based on a 2006 audit, and that $500,000 is being allocated to deal with these needs. What is the industry standard for amounts that should be directed for deferred maintenance and how does the $500,000 compare to that standard?

9. Page 15 addresses steps taken to reduce costs and become more efficient. Most of the statements, however, are very general and have no dollar amounts associated with them to provide a sense of how significant these efforts have been. Please provide any dollar amounts you can to these steps.

10. On page 18, there is a statement about the use of the reserve fund and it being in danger of going below the governing board's policy of 4-6% of the operating budget.
    a. What is the current size of the reserve fund and its percentage in relation to the operating budget?
    b. How much of the reserve fund do you expect to have to use if this increase is approved, or do you expect to grow the reserve fund if this increase is approved?
    c. What is the industry standard regarding the size of a reserve fund?
    d. To what extent has that reserve fund been used in each of the past two fiscal years?